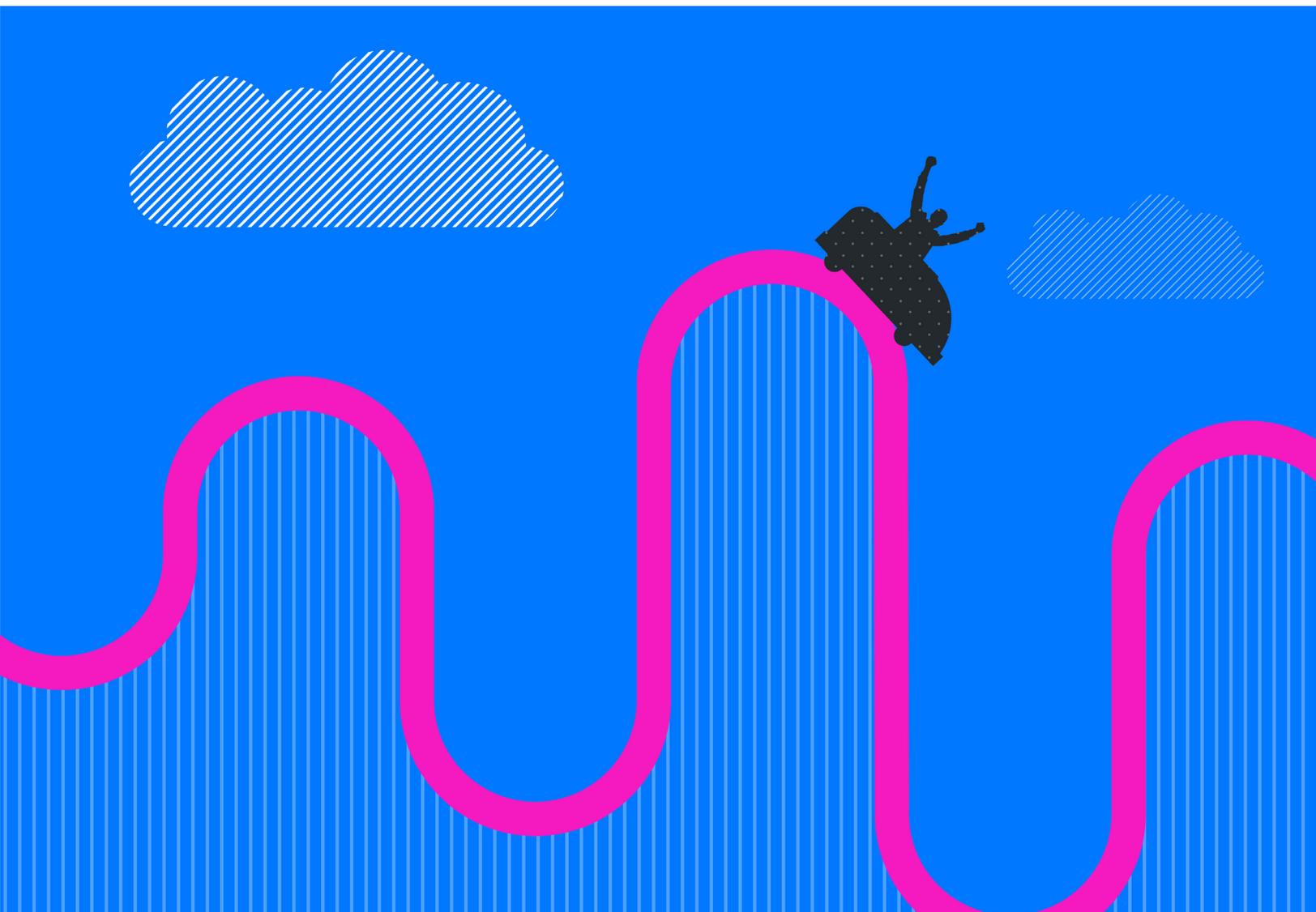


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# Retail planning for rising gas prices



# Gas prices are at historic highs in terms of the numbers you see at the pump.

Combined with higher overall price growth than the U.S. has seen in a generation, consumers are beginning to cut back on spending, especially in areas like luxuries and travel, where they have more room to decide what they actually need. Because inflation has been so high, the U.S. is not experiencing significant cuts in total nominal spending, but real or inflation-adjusted spending is starting to pull back.

## Immediate impact of rising gas prices on retail consumers

Rising gas prices have become a hot-button issue, even among other headlines about economic issues, such as inflation and supply chain delays. Gas prices can have an immediate psychological impact on consumers. Gas is only a small portion of consumer expenditures, but it's one of the few costs where the price is obvious every time you buy it. At the grocery store, many consumers often don't carefully look at the price of milk every single time they buy. At the gas station, prices are front and center, and consumers watch the cost tick up as they wait to fill the tank. Prices are going up nearly everywhere, and

although gas certainly isn't the fastest rising price, it's the one consumers feel most obviously since it's right at the pump and at signs on the corner of every gas station.

As gas prices remain high, consumers are starting to refrain from brick-and-mortar shopping and have turned back to e-commerce. Consumers are consolidating shopping trips and cutting back spending on smaller luxuries, goods, and travel. They are also looking for more value and value retailers will likely perform better in the coming months.

# Expectations for the remainder of 2022



Gas prices will likely stay high through the summer months, which is peak demand and peak gas prices nearly every year, but they should begin to subside in the fall. Already, demand for gasoline is slightly tailing off as consumers are not buying as many gallons and are driving less. In the short term, prices continue to face pressure

from the impact of the Russia-Ukraine conflict and tightening of the supply chain. However, the increased production by the U.S. and a smaller than usual summer expansion of demand should contribute to reducing prices in the long run.

## How retailers can strategically plan for high gas prices

**There are 3 strategic moves a company can make to meet this challenge.**

First, prepare for higher transportation costs. Plan ahead to pick up inventory to carry through the summer. While transportation costs may not ease up for a while, local supply chains can help mitigate some of the price pressure.

Second, look for ways to offset costs and help customers feel as if they are getting significant value from their purchases, and offer coupons when possible.

Finally, leverage the best-available technology to help manage inventories, supply chains, and labor to improve efficiency and reduce risk.

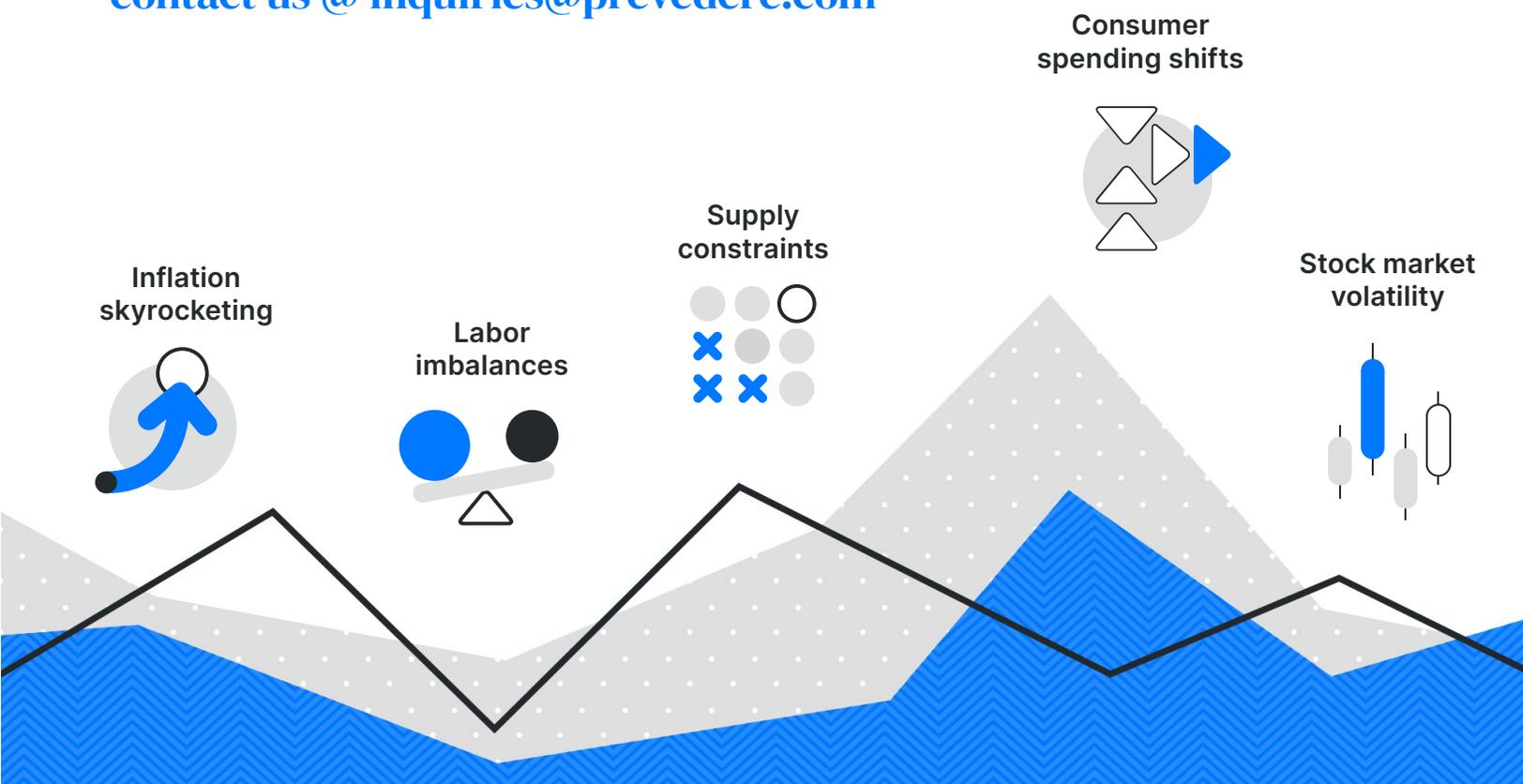
The key to strategic planning in 2022 will be flexibility. Costs are rising across the board, from gas prices to inputs to labor, and transportation companies need to remain agile and adjust to those risks. Make sure your company does not get too tightly focused on a single area and become blindsided by other forces. It's more important than ever to leverage external economic data to help identify and monitor drivers of cost to be prepared to take advantage of opportunities and mitigate risk.



# With today's rapidly changing market conditions, do you really know what external forces affect your organization, when and by how much?

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